



QP CODE: 21100800



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Reg No :

Name :

BBA DEGREE (CBCS) EXAMINATION, MARCH 2021

Fourth Semester

Bachelor of Business Administration

Core Course - BA4CRT16 - FINANCIAL MANAGEMENT

2017 Admission onwards

7472EFD7

Time: 3 Hours

Max. Marks : 80

Part A

*Answer any **ten** questions.*

*Each question carries **2** marks.*

1. Define finance.
2. Write any two advantages of wealth maximisation objective.
3. Write any two methods by which commercial banks advance short term credit.
4. What is a convertible debenture?
5. What is cheque encashment analysis?
6. Write any two objectives of credit sales.
7. What is weighted average cost of capital
8. What is capital structure?
9. Define the term 'leverage'.
10. What do you mean by 'no dividend' policy?
11. Write any two assumptions of Walter's model of dividend policy.
12. What is cash dividend?

(10×2=20)

Part B

*Answer any **six** questions.*

*Each question carries **5** marks.*

13. What is Profit Maximisation Objectives? What are its demerits?





14. Explain the organisation of Finance function.
15. What is long term financing? What are the various source of long term funds?
16. What is Lease financing?
17. What are the advantages of adequate working capital?
18. Write any 4 determinants of working capital.
19. A company issues 1,00,000, 10% preference share of Rs. 10 each. Calculate the cost of preference capital if it is redeemable after 10 years, a) At par b) At 5% premium

20. A company has three alternative plans :

	A	B	C
	Rs.	Rs.	Rs.
Equity Capital	30,000	15,000	45,000
Debt @ 10%	30,000	45,000	15,000

EBIT Rs. 6,000. Calculate financial leverage.

21. Explain the Modigliani -Miller Model of dividend policy. What are its drawbacks?

(6×5=30)

Part C

Answer any two questions.

Each question carries 15 marks.

22. Explain the scope and functions of Financial Management.
23. Classify various sources of funds on the basis of source of generation and explain each source.

24. Calculate the amount of working capital requirement for XYZ Ltd. from the following information:

	Rs (Per Unit)
Raw materials	160
Direct labour	60
Overheads	120
Total cost	340
Profit	60
Selling price	400

Additional Information.

- 1.Raw materials are held in stock on an average for one month.
- 2.Materials are in process on an average for half-a-month.
- 3.Finished goods are in stock on an average for one month.





4. Credit allowed by suppliers is one month and credit allowed to debtors is two months.
5. Time lag in payment of wages is 1½ weeks.
6. Time lag in payment of overhead expenses is one month.
7. One fourth of the sales are made on cash basis.
8. Cash in hand and at the bank is expected to be Rs. 50,000; and expected level of production amounts to 1,04,000 units for a year of 52 weeks.

You may assume that production is carried on evenly throughout the year and a time period of four weeks is equivalent to a month.

25. The proposed capital structure of a company after new financing would be as follows:

Equity capital	25%
Debt capital	50%
Preference capital	10%
Retained earnings	15%

The firm has calculated the cost of each source of capital before-tax as follows:

Item	Cost
Equity capital	24 %
Debt capital	8%
Preference capital	23%
Retained earnings	19 %

Compute the weighted average cost of capital.

(2×15=30)

